GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

STARRED QUESTION NO:320
ANSWERED ON:06.12.2007
ROYALTY ON GAS AND OIL
Agarwal Shri Dhirendra;Chavda Shri Harisinh Pratapsinh

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether there exists any provision stipulation determination of royalty on Gas and Oil after every three years;

(b) if so, the date on which royalty was fixed last time along with amount thereof;

(c) the time by which royalty is scheduled to be refixed;

(d) whether it was considered to pay the said royalty directly to the district administration; and

(e) if so, the date on which it was considered?

Answer

MINISTER of PETROLEUM & NATURAL GAS (SHRI MURLI DEORA)

(a) to (e) : A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF LOK SABHA STARRED QUESTION NO.320 BY SHRI HARISINH CHAVDA AND DR. DHIRENDRA AGARWAL TO BE ANSWERED ON 6.12.2007 REGARDING ROYALTY ON GAS AND OIL.

(a) to (e): Royalty rates are governed by the Oilfields (Regulation and Development) Act, 1948. Government can review the royalty rates from time to time and shall not fix the royalty rate in respect of any mineral oil so as to exceed 20% of sale price of the mineral oil at the oilfields or the oil well-head as the case may be. After dismantling administered price mechanism w.e.f. 1.4.2002, royalty rate regime was modified in consultation with stakeholders vide notification no. 11011/1/97-ONG-IV of 16th December 2004 as follows:

(i) Royalty on crude oil production from areas awarded on nomination basis to National Oil Companies (NOCs), exploration blocks awarded to Private/Joint Venture contractors prior to New Exploration Licensing Policy (NELP) and onland discovered fields awarded to Private/ Joint venture contractors:

(a) Onland areas @ 20% of Well Head Price.

(b) Shallow water offshore areas (upto 400 metres water depth) @10% of Well Head Price.

(c) Deep water offshore areas (400 metres Water depth) @ 5% of well head price during first 7 years after commercial production and normal rates as applicable to Shallow water areas (upto 400 metres water depth) during other periods.

(d) Heavier Crude Oils of 25Â° API and less: 2.5% lesser than the applicable rates as above.

(ii) Royalty on crude oil production from offshore discovered fields awarded to Private/ Joint venture contractors is at the rates as specified in respective Production Sharing Contracts (PSCs).

(iii) Royalty on crude oil and natural gas production from areas under Production Sharing regime is determined in accordance with the provisions of respective Production Sharing Contracts. Under New Exploration Licensing Policy (NELP), royalty on crude oil in onland areas is 12.5% of well head price and 10% in offshore areas. Royalty on natural gas is 10% of well head price.

(iv) Royalty on natural gas production is 10% of the value of the natural gas obtained at well head.

The royalty received on crude oil and natural gas production from onland areas is paid to State Government exchequer from the date of oil and gas production. Royalty received from offshore areas is paid to the Central Government.